

Montgomery County, Maryland - Disclosure For Fiscal Year 2015

<p>\$46,765,000 MONTGOMERY COUNTY MARYLAND Revenue Bonds (Department of Liquor Control) Series 2009A</p>	<p>\$34,360,000 MONTGOMERY COUNTY MARYLAND Revenue Bonds (Department of Liquor Control) Series 2011A</p>	<p>\$46,645,000 MONTGOMERY COUNTY MARYLAND Revenue Bonds (Department of Liquor Control) Series 2013A</p>
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Wholesale Operations

Wholesale Facility

The first half of calendar year 2014, found the Department of Liquor Control settling into its new principal wholesale facility (Existing Warehouse) on Edison Park Drive in Gaithersburg, MD, which is climate controlled. The product storage space is approximately 185,000 square feet, of which approximately 10,000 square feet is a keg facility.

The Department uses the warehouse to store approximately 4,000 SKU's of stock beer, wine and spirit products for resale to wholesale customers. Stock products are purchased in bulk and stored at the Existing Warehouse for wholesale customers to purchase, and for transfer to the 25 County retail stores. The Department also offers thousands of items as special order and will research any product a customer wants to ascertain price and availability. Special order items are usually not warehoused, but are obtained specifically for both wholesale and retail customers. The procurement process starts once the product is ordered. The Existing Warehouse also houses the Department's administrative activities.

Wholesale Customer Base

The Department's wholesale customer base comprises every licensed seller of alcoholic beverages in the County. There are over 1,000 license holders in the County, including restaurants, carry-out stores, hotels, conference centers, caterers, clubs and lodges. The Department's ten largest wholesale customers in calendar year 2015 were:

<u>Customer</u>	<u>CY 2015 Sales</u>	<u>Percent of Total Wholesale Sales</u>
Safeway.....	\$4,255,812	2.99%
Long Branch Beer and Wine	3,585,988	2.52
Shoppers Food Warehouse	3,560,920	2.50
Rodman's Gourmet.....	1,996,948	1.40
Rodman's Party Boutique.....	1,965,780	1.38
Downtown Crown Wine and Beer.....	1,822,333	1.28
Georgetown Square Wine and Cheese.....	1,760,455	1.23
Giant Food Store.....	1,718,749	1.21
Belby's Discount	1,498,569	1.05
Balducci's	1,377,361	0.97
Total.....	<u>\$23,542,915</u>	<u>16.52%</u>

Source: Department of Liquor Control

Wholesale Suppliers

The Department is not subject to County procurement laws or regulations for purchasing beverage alcohol. The Department procures its stock from wholesale distributors, breweries, wineries and distillers.

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The Department's ten largest wholesale suppliers in calendar year 2015 were:

<u>Supplier</u>	<u>CY 2015 Purchases</u>	<u>Percent of Total Wholesale Purchases</u>
Anheuser Busch, Inc.	\$14,015,863	7.21%
Miller Brewing Company	13,063,759	6.72
Constellation Imports (Crown)	12,614,551	6.49
Diageo	12,127,831	6.24
E & J Gallo Winery	11,354,658	5.84
Heineken USA	8,012,008	4.12
Constellation Brands	7,151,955	3.68
Republic National Distributing Company	6,462,008	3.32
Pernod Ricard USA	5,982,173	3.08
A Vintners Selections	5,805,932	2.98
Total.....	<u>\$96,590,738</u>	<u>49.68%</u>

Source: Department of Liquor Control

Retail Operations

Retail Facilities

The Department operates 25 retail stores located throughout the County. These stores sell non-chilled beer, wine and liquor, plus ice, bottled water and certain mixers.

The stores vary in size, from approximately 2,100 square feet to over 7,400 square feet. The Department leases the stores. The inventory in each store varies according to sales patterns and available retail space. In fiscal year 2015, no single location operated twelve months accounted for more than 6.3 percent or less than 1.2 percent of total Department retail sales.

The Department regularly reviews the operating performance of each retail store. Flower store was closed for renovation in January 2014 and reopened in October 2014.

Retail Sales

The distribution of sales across the Department's 25 retail facilities that were in operation in fiscal year 2015 was as follows:

<u>Retail Store</u>	<u>FY 2015 Sales</u>	<u>% of Total Retail Sales</u>
Burtonsville	\$ 3,749,607	2.9%
Cabin John	4,581,431	3.6
Chevy Chase	2,188,337	1.7
Clarksburg	2,201,134	1.7
Cloverly	3,711,215	2.9
Darnestown.....	6,513,822	5.1
Fallsgrove	4,351,080	3.4
Flower Avenue	1,586,864	1.2*
Goshen Plaza	4,824,579	3.8
Hampden Lane.....	6,129,903	4.8
Kensington.....	6,705,781	5.2

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Kingsview	4,850,174	3.8
Leisure World	4,325,485	3.4
Milestone	5,118,917	4.0
Montrose	8,126,282	6.3
Muddy Branch	7,614,389	6.0
Olney	5,605,214	4.4
Pike	6,424,241	5.0
Potomac	6,782,565	5.3
Seneca Meadows	3,570,445	2.8
Silver Spring	6,513,822	5.1
Walnut Hill	5,131,714	4.0
Westwood	7,512,011	5.9
Wheaton	4,901,363	3.8
White Oak	<u>4,952,552</u>	<u>3.9</u>
Total:	<u>\$127,972,927</u>	<u>100.0%</u>

Source: Department of Liquor Control

*Flower reopened during Fiscal Year 2015

There is one private retail facility in Takoma Park with authority to sell distilled spirits beverages for off-site consumption.

Results of Operations

Annual Operating Results

The Department's annual operating results have consistently created significant net revenues for transfer to the County's general fund. The following chart shows the total operating expenses, total operating revenues and net revenues for fiscal year 2015:

Annual Operating Results

(Dollars in thousands)

	2015
Sales, net	\$ 276,692
Other operating revenues	1,931
Total operating revenues	<u>278,623</u>
Non-operating revenues /(expenses)	(1,761)
Revenues	<u>276,862</u>
Less: Expenses	(247,295)
Net Income	<u><u>\$ 29,567</u></u>

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Sales Allocation

The Department's retail and wholesale sales for fiscal year 2015 are as follows:

<u>Fiscal Year</u>	<u>Retail Sales</u>	<u>Warehouse Beer Sales</u>	<u>Warehouse Wine/Liquor Sales</u>
2015	\$127,972,927	\$86,078,319	\$62,640,269

Source: Department of Liquor Control

Cases Sold from Warehouse

The Department's sales by category for fiscal year 2015 were as follows:

<u>Fiscal Year</u>	<u>Case Beer</u>	<u>Keg Beer</u>	<u>Wine</u>	<u>Liquor</u>
2015	50%	6%	40%	4%

Source: Department of Liquor Control

Transfers to the General Fund

By State law, the Department transfers its net revenues, after retention of a working capital reserve, to the County's general fund. The amount of the transfer is budgeted by the Department and the County and approved by the County Executive by March 15 for the fiscal year beginning on the ensuing July 1. Transfers are made on or before September 25, December 25, March 25 and June 25 in each fiscal year. The transfer amount for fiscal year 2015 was as follows:

<u>Fiscal Year</u>	<u>Amount of Transfer</u>
2015	\$ 34,147,753

Source: County Comprehensive Annual Financial Report

Working Capital Reserve

Pursuant to State law, the Department retains a working capital reserve in an amount determined by the Director of the Department and the Director of Finance of the County, subject to the approval of the County Executive. Beginning in fiscal year 2003, the amount of the working capital reserve has been set at the aggregate of (1) one month's operating expenses, (2) the amount of one payroll cycle (currently bi-weekly), (3) \$1.5 million for inventory purchase, and (4) major, near-future non-recurring expenses (such as start-up costs for new retail facilities).

The amount of the working capital reserve in fiscal year 2015 was as follows:

<u>Fiscal Year</u>	<u>Amount of Working Capital Reserve</u>
2015	\$4,306,913

Source: Office of Management and Budget

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Financial Results

The following chart shows the Department's financial results for fiscal year 2015:

Department of Liquor Control	<u>2015</u>
Operating Revenues	
Sales, net	\$ 276,691,515
Other revenues	1,931,025
Total Operating Revenues	<u>278,622,540</u>
% Change from prior year	3.71%
Operating Expenses	
Cost of goods sold	199,491,617
Personnel costs	28,827,501
Contractual services	3,763,178
Rentals	6,498,225
Depreciation	2,118,550
Maintenance	864,620
Other expenses	5,730,905
Total Operating Expenses	<u>247,294,596</u>
% Change from prior year	4.15%
Gain/Loss on disposal of capital assets	(46,198)
Investment income	23,735
Interest Expense	(1,884,215)
Other revenue	146,122
Total Non-Operating Revenue (Expense)	<u>(1,760,556)</u>
Net Revenues	29,567,388
Add Back: Depreciation	2,118,550
Add Back: Interest Expense	1,884,215
Less: Retention of Working Capital	(4,306,913)
Net Revenues Available for Debt Service	<u><u>\$ 29,263,240</u></u>
Existing Debt Service	9,828,539
Debt Service Coverage	<u><u>2.97x</u></u>
Transfer to the General Fund	<u><u>34,147,753</u></u>
Ending Cash Position	<u><u>9,260,502</u></u>
Unrestricted Net Assets	<u><u>\$ 17,019,497</u></u>

Sources: County Comprehensive Annual Financial Report,
Department of Liquor Control, and Department of Finance